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SUBJECT: VENEZUELA: TAX AUTHORITY SURPASSES 2008 REVENUE
GOAL; LOOKS FORWARD TO 2009

REF: CARACAS 01463

¶1. (U) Summary. The tax authority of the Bolivarian Republic of Venezuela (BRV) announced December 2 it had already reached its tax revenue goal for budget year 2008. Tax officials predict record tax revenues for budget year 2009 and continue to find creative methods to increase compliance with the tax code, including the inauguration of "street operatives."

A DRUM ROLL PLEASE....

¶2. (U) On December 2, Jose David Cabello Rondon, the Superintendent of the National Tax and Customs Authority (SENIAT) announced that between January and November of 2008, SENIAT had collected 60.83 billion BsF (approximately 28.3 billion USD at the official exchange rate of 2.15 BsF to 1 USD.) This total surpassed 2008's budgeted tax revenue by .03 percent and includes revenues received from income and corporation tax, customs tax, the value added tax and other taxes, such as those on alcohol and cigarettes. The 2008 revenue to date represents a 21 percent increase in tax collection over the 50.2 billion BsF (approximately 23.35 billion USD) collected by SENIAT in January to November 2007.

SENIAT'S DISCUSSION OF 2009 GOALS

¶3. (U) On November 24, SENIAT issued a press release that detailed the 2009 tax revenue goals set forth in the 2009 budget. (Note: The 2009 budget is currently pending approval before the Venezuelan National Assembly.) The tax collection target for 2009 is set at 76.8 billion BsF (approximately 35.72 billion USD.) SENIAT stated that the 2009 tax revenue target is 14 billion BsF greater than 2008 tax revenues. (Note: This claim is not supported by the data available to SENIAT at the time of publication. If the growth in 2009 tax revenue mirrors the rate of growth from 2008, Post estimates SENIAT tax revenue will be closer to 80.76 billion BsF (approximately 37.56 billion USD.) End Note.) However, SENIAT did mention the possibility of a tax revenue shortfall. In its press release, SENIAT squarely placed the blame for any shortfall on "the consequences of the financial crises generated by the United States and the effect on the global economy."

TAX OPERATIVES TAKIN' IT TO THE STREETS

¶4. (SBU) As reported in reftel, SENIAT had already launched

well publicized and aggressive tax enforcement actions against a number of high profile taxpayers this fall. A VenAmCham committee member yesterday reported that SENIAT has recently sought to fine several firms for not paying their taxes on time. When presented with evidence that the taxes had been paid on a timely basis, SENIAT has backed down but asked that firms pay 10 days in advance next time.

15. (U) A new wrinkle in the increased enforcement of the tax code is the recent development and deployment of "operativos de calle" ("street operatives"). These street operatives urge businesses to declare their receipts for income tax collection purposes and to pay the appropriate value added tax on their sales. According to news reports, the street operatives are working the main street in the Andean zone of the country and are visiting small businesses such as clothing, electronics, and jewelry stores as well as butchers, bakeries and beauty salons, all businesses which see an up-tick in holiday sales. The new enforcement strategy could add to the increase in tax revenue already realized in 2008.

COMMENT

15. (U) The BRV has used its windfall oil revenue to fund off-budget spending, often focused on shoring up Chavez' political base through massive social spending. The recent collapse in oil prices will force the BRV, in the new year, to search for revenue to avoid dipping into its array of rainy day funds. We assess that SENIAT collections through the end of 2008 could provide the BRV with as much as 6

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billion BsF in unbudgeted funds. SENIAT will push to increase tax collection in 2009 as well. These funds could be used by the BRV to soften the economic blow of decreased oil revenue, allowing it to continue spending on the massive social programs.
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